

Board of Accountancy

TITLE 4. PROFESSIONS AND OCCUPATIONS**CHAPTER 1. BOARD OF ACCOUNTANCY**

Authority: A.R.S. § 32-701 et seq.

ARTICLE 1. GENERAL

Section	
R4-1-101.	Definitions
R4-1-102.	Powers of the Board: Applicability; Excuse; Extension
R4-1-103.	Repealed
R4-1-104.	Board Records; Public Access; Copying Fees
R4-1-105.	Confidential Records
R4-1-106.	Reserved
R4-1-107.	Reserved
R4-1-108.	Reserved
R4-1-109.	Reserved
R4-1-110.	Reserved
R4-1-111.	Reserved
R4-1-112.	Reserved
R4-1-113.	Meetings; Examinations
R4-1-114.	Hearing; Rehearing or Review
R4-1-115.	Advisory Committees
R4-1-115.01.	Law Review Advisory Committee
R4-1-115.02.	Continuing Professional Education Advisory Committee
R4-1-116.	Certification Advisory Committee
R4-1-117.	Procedure: Witnesses; Service
R4-1-118.	Specified Forms

ARTICLE 2. CPA EXAMINATION

Section	
R4-1-201.	Reserved
R4-1-202.	Reserved
R4-1-203.	Reserved
R4-1-204.	Reserved
R4-1-205.	Reserved
R4-1-206.	Reserved
R4-1-207.	Reserved
R4-1-208.	Reserved
R4-1-209.	Reserved
R4-1-210.	Reserved
R4-1-211.	Reserved
R4-1-212.	Reserved
R4-1-213.	Reserved
R4-1-214.	Reserved
R4-1-215.	Reserved
R4-1-216.	Reserved
R4-1-217.	Reserved
R4-1-218.	Reserved
R4-1-219.	Reserved
R4-1-220.	Reserved
R4-1-221.	Reserved
R4-1-222.	Reserved
R4-1-223.	Reserved
R4-1-224.	Reserved
R4-1-225.	Reserved
R4-1-226.	Applications; Examination – Paper and Pencil
R4-1-226.01.	Applications; Examination – Computer-based
R4-1-227.	Repealed
R4-1-228.	Examination Results; Review and Processing of Grades and Papers
R4-1-229.	Condition Credit
R4-1-230.	Non-conditioned Candidates; Evidence of Additional Study
R4-1-231.	Expired

ARTICLE 3. CERTIFICATION AND REGISTRATION

Section	
R4-1-301.	Reserved
R4-1-302.	Reserved
R4-1-303.	Reserved
R4-1-304.	Reserved
R4-1-305.	Reserved
R4-1-306.	Reserved
R4-1-307.	Reserved
R4-1-308.	Reserved
R4-1-309.	Reserved
R4-1-310.	Reserved
R4-1-311.	Reserved
R4-1-312.	Reserved
R4-1-313.	Reserved
R4-1-314.	Reserved
R4-1-315.	Reserved
R4-1-316.	Reserved
R4-1-317.	Reserved
R4-1-318.	Reserved
R4-1-319.	Reserved
R4-1-320.	Reserved
R4-1-321.	Reserved
R4-1-322.	Reserved
R4-1-323.	Reserved
R4-1-324.	Reserved
R4-1-325.	Reserved
R4-1-326.	Reserved
R4-1-327.	Reserved
R4-1-328.	Reserved
R4-1-329.	Reserved
R4-1-330.	Reserved
R4-1-331.	Reserved
R4-1-332.	Reserved
R4-1-333.	Reserved
R4-1-334.	Reserved
R4-1-335.	Reserved
R4-1-336.	Reserved
R4-1-337.	Reserved
R4-1-338.	Reserved
R4-1-339.	Reserved
R4-1-340.	Reserved
R4-1-341.	CPA Certificates; by Examination
R4-1-341.01.	CPA Certificates; by Non-Arizona Examinee
R4-1-342.	CPA Certificates; by Reciprocity
R4-1-343.	Accounting Experience
R4-1-344.	Denial of Certification
R4-1-345.	Registration; Fees; Certificate Renewal
R4-1-346.	Notice of Change of Address

ARTICLE 4. REGULATION

Section	
R4-1-401.	Reserved
R4-1-402.	Reserved
R4-1-403.	Reserved
R4-1-404.	Reserved
R4-1-405.	Reserved
R4-1-406.	Reserved
R4-1-407.	Reserved
R4-1-408.	Reserved

Board of Accountancy

R4-1-409.	Reserved
R4-1-410.	Reserved
R4-1-411.	Reserved
R4-1-412.	Reserved
R4-1-413.	Reserved
R4-1-414.	Reserved
R4-1-415.	Reserved
R4-1-416.	Reserved
R4-1-417.	Reserved
R4-1-418.	Reserved
R4-1-419.	Reserved
R4-1-420.	Reserved
R4-1-421.	Reserved
R4-1-422.	Reserved
R4-1-423.	Reserved
R4-1-424.	Reserved
R4-1-425.	Reserved
R4-1-426.	Reserved
R4-1-427.	Reserved
R4-1-428.	Reserved
R4-1-429.	Reserved
R4-1-430.	Reserved
R4-1-431.	Reserved
R4-1-432.	Reserved
R4-1-433.	Reserved
R4-1-434.	Reserved
R4-1-435.	Reserved
R4-1-436.	Reserved
R4-1-437.	Reserved
R4-1-438.	Reserved
R4-1-439.	Reserved
R4-1-440.	Reserved
R4-1-441.	Reserved
R4-1-442.	Reserved
R4-1-443.	Reserved
R4-1-444.	Reserved
R4-1-445.	Reserved
R4-1-446.	Reserved
R4-1-447.	Reserved
R4-1-448.	Reserved
R4-1-449.	Reserved
R4-1-450.	Reserved
R4-1-451.	Reserved
R4-1-452.	Reserved
R4-1-452.	Reserved
R4-1-453.	Continuing Professional Education
R4-1-454.	Repealed
R4-1-455.	Professional Conduct: Independence, Integrity, and Objectivity
R4-1-455.01.	Professional Conduct: Competence and Technical Standards
R4-1-455.02.	Professional Conduct: Confidentiality; Records Disposition
R4-1-455.03.	Professional Conduct: Other Responsibilities and Practices
R4-1-455.04.	Professional Conduct: Interpretations
R4-1-456.	Reporting Practice Suspensions and Violations
Appendix A.	Repealed
Appendix B.	Repealed

ARTICLE 1. GENERAL**R4-1-101. Definitions**

In these rules, unless the context otherwise requires:

1. "Board" means the Board of Accountancy created by A.R.S. § 32-701.

2. "Certificate" means a document issued by the Board authorizing the use of the CPA designation.
3. "Certified public accountant" or "public accountant" includes any individual or firm registered by the Board.
4. "Client" means the person or entity which retains a certified public accountant or public accountant, engaged in the practice of public accounting, for the performance of professional services.
5. "Contested case" means any proceedings in which the legal rights, duties, or privileges of a party are required by law to be determined by any agency after an opportunity for hearing.
6. "Expired" means the termination of a registrant's certificate if a registrant fails to reinstate the certificate within 12 months after it has been suspended for nonregistration or if a registrant fails to reinstate a certificate that has been inactive for more than six years.
7. "Financial statements" means statements and footnotes related to them that purport to show financial position which relates to a point in time or changes in financial position which relate to a period of time, and statements which use a cash or other comprehensive basis of accounting. Balance sheets, statements of income, statements of retained earnings, statements of cash flows, statements of changes in owner's equity and other commonly used or recognized summaries of financial information are financial statements. The statement, affidavit, or signature of preparers required on tax returns neither constitutes an opinion on financial statements nor requires a disclaimer of the opinion.
8. "Party" means each person or agency named or admitted as a party, or properly seeking and entitled, as of right, to be admitted as a party.
9. "Person" may include any individual, any form of corporation, partnership, or professional limited liability company.
10. "Practice of accounting" means *the provision of any accounting services, including recording and summarizing financial transactions, analyzing and verifying financial information, reporting financial results to an employer, clients, or other parties and rendering of tax and management advisory services to an employer, clients, or other parties.* A.R.S. § 32-701.01(8)
11. "Practice of public accounting" means the practice of accounting by a certified public accountant or public accountant.
12. "Registrant" refers to any certified public accountant, public accountant, or firm registered with the Board.
13. "Relinquishment" means the voluntary surrender of a registrant's certificate pending an investigation.

Historical Note

Former Rule 1A; Amended effective February 22, 1978 (Supp. 78-1). Former Section R4-1-01 renumbered as Section R4-1-101 without change effective July 1, 1983 (Supp. 83-4). Amended effective August 21, 1986 (Supp. 86-4). Amended effective December 6, 1995 (Supp. 95-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-102. Powers of the Board: Applicability; Excuse; Extension

- A. These rules apply to all actions and proceedings of the Board and are deemed a part of the record in every action or proceeding without formal introduction or reference. All parties are deemed to have knowledge of the rules. The Board shall supply a copy of the rules to any person free of charge.

Board of Accountancy

- B. The Board, when it is within its jurisdiction, may, in the interest of justice, excuse the failure of any person to comply with any of these rules.
- C. The Board, or in case of an emergency, the President, when it is within its jurisdiction, may grant an extension of time to comply with any rule when the extension is reasonable.

Historical Note

Former Rules 1B, 1C, 1D, 1E; Former Section R4-1-02 renumbered as Section R4-1-102 without change effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-103. Repealed

Historical Note

Former Rule 2E; Former Section R4-1-03 renumbered as Section R4-1-103 without change effective July 1, 1983 (Supp. 83-4). Repealed effective August 21, 1986 (Supp. 86-4).

R4-1-104. Board Records; Public Access; Copying Fees

- A. The Board shall maintain all records, subject to A.R.S. § 41-1351, reasonably necessary or appropriate to maintain an accurate knowledge of its official activities including, but not limited to, applications for C.P.A. and P.A. certificates and supporting documentation and correspondence, applications to take the uniform certified public accountant examination; requests for annual registration; documents, transcripts, and pleadings relating to disciplinary proceedings and to hearings on the denial of a certificate; investigative reports; staff memoranda; and general correspondence between any person and the Board, members of the Board, or staff members.
- B. Except as provided in R4-1-105, all records of the Board are available for public inspection and copying as provided in this Section.
- C. Any person desiring to inspect or obtain copies of records of the Board available to the public under these rules shall make a request to the Board's Executive Director or the Director's designee, during regular office hours. The Executive Director shall, as soon as possible within a reasonable time, advise the person making the request whether the records sought can be made available, or, if the Executive Director is unsure whether a record may be made available for public inspection and copying, the Executive Director shall refer the matter to the Board for final determination.
- D. A person shall not remove original records of the Accountancy Board from the Office of the Board unless they are in the custody and control of a Board member, a member of the Board's committees or staff, or the Board's attorney. The Executive Director may designate a staff member to observe and monitor any examination of Board records.
- E. Copies of all records available for public inspection and copying shall be provided according to the procedures described in A.R.S. Title 39, Chapter 1, Article 2.
- F. Any person aggrieved by a decision of the Executive Director to deny access to records of the Board may request a hearing before the Board to review the Executive Director's action by filing a written request for hearing. Within 60 days of receipt of the request, the Board shall conduct a hearing on the matter. If the person requires immediate access to Board records, the person may request and may be granted an earlier hearing, if the person sets forth sufficient grounds for immediate access.

Historical Note

Adopted effective January 3, 1977 (Supp. 77-1).
Amended effective February 22, 1978 (Supp. 78-1).
Amended effective July 17, 1978 (Supp. 78-4). Former Section R4-1-04 renumbered as Section R4-1-104 with-

out change effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-105. Confidential Records

- A. Complaints, reports, photographs, transcripts, correspondence and other documents relating to an investigation by the Board of possible violations of the Arizona accountancy statutes or these rules shall not be made available for public inspection and copying, except that investigative records shall be made available for public inspection and copying upon the institution of civil enforcement or disciplinary proceedings against the person who is the subject of the investigation.
- B. Correspondence between the Board, members of the Board or staff members, or members of the Board's committees and the Board's attorney shall not be made available for public inspection and copying.
- C. The questions contained in the uniform certified public accountant examination and an examinee's answers shall not be made available for public inspection and copying except that the examinee may submit to the Board, in writing, a request for a grade review or an appeal to review specific questions and answers related to an examinee's own examination papers.
- D. An examinee's grades on the uniform certified public accountant examination shall not be made available for public inspection and copying, except that the Board may disclose the identity of those who pass the examination after the date set by it for the release of grades.
- E. Letters of reference received in connection with applications for certificates shall not be made available for public inspection and copying.
- F. Resumes, employment applications, personnel evaluations and injury reports regarding employees of the Board or applicants for employment shall not be made available for public inspection and copying, except that the records shall be disclosed as directed by the employee or applicant concerned.
- G. Minutes of executive sessions of the Board and its committees and executive session agendas containing confidential information shall not be made available for public inspection or copying.
- H. The Board may, in the case of a record not otherwise made confidential by this Section, order that the record not be made available for public inspection or copying whenever the Board determines that public disclosure of the record would have a significant and adverse effect on the Board's ability to perform its duties or would otherwise be detrimental to the best interests of the state.
- I. Notwithstanding subsections (A) through (H), the Board may order that any record of the Board made confidential under this Section be made available for public inspection and copying when it determines that the reasons justifying the confidentiality of the record no longer exist.

Historical Note

Adopted effective January 3, 1977 (Supp. 77-1). Former Section R4-1-05 renumbered as Section R4-1-105 and amended in subsections (C) and (D) effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-106. Reserved

R4-1-107. Reserved

R4-1-108. Reserved

R4-1-109. Reserved

R4-1-110. Reserved

R4-1-111. Reserved**R4-1-112. Reserved****R4-1-113. Meetings; Examinations**

- A. The Board and its committees shall conduct meetings in accordance with the current edition of Robert's Rules of Order if these rules are compatible with the laws of the state of Arizona or its own resolutions regarding meetings.
1. Regular and special meetings of the Board for the purpose of conducting business shall be called by the President or a majority of the Board members.
 2. Regular and special meetings of the committees shall be called by the chairperson or a majority of the committee members.
- B. The Board shall designate the time and place for conducting the CPA examination in accordance with A.R.S. § 32-723(A) (see Article 2).

Historical Note

Former Rules 2A, 2B, 2C, 2D; Former Section R4-1-13 renumbered as Section R4-1-113 without change effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-114. Hearing; Rehearing or Review

- A. Hearing: The Board or an Administrative Law Judge (ALJ) employed by the Office of Administrative Hearings (OAH) shall hear all contested cases and appealable agency actions. Hearings held by the Board shall be conducted pursuant to the provisions of A.R.S. Title 41, Chapter 6, Article 10 as supplemented by R4-1-117. Hearings held by OAH shall be conducted pursuant to A.R.S. Title 41, Chapter 6, Article 10 and the rules and procedures established by OAH. To the extent they do not conflict with A.R.S. Title 41, Chapter 6, Article 10, the provisions of A.R.S. § 32-743 apply to hearings conducted by the Board and OAH. The following subsections apply to hearings conducted by the Board and hearings conducted by OAH where applicable.
1. Power to Join any Interested Party: Any Board member or the ALJ may join as a party applicant or as a party defendant, any person, firm or corporation, who appears to have an interest in the matter before the Board.
 2. Stipulation at Hearing: The parties may stipulate to any facts that are not in dispute. The stipulation may be in writing, or may be made orally by reading the stipulation into the record at the hearing, and is binding upon the parties unless the Board or the ALJ grants permission to withdraw from the stipulation. The Board or the ALJ may set aside any stipulation.
 3. Settlements and Consent Orders: At any time before or after formal disciplinary proceedings have been instituted against a registrant, the registrant may submit to the Board an offer of conditional settlement in which the registrant agrees to take specific remedial steps such as enrolling in continuing education courses, limiting the scope of the registrant's practice, accepting limitation on the filing of public reports, and submitting the registrant's work product for peer review to avoid formal disciplinary proceedings by the Board. If the Board determines that the proposed conditional settlement will protect the public safety and welfare and is more likely to rehabilitate or educate the registrant than formal disciplinary action under A.R.S. § 32-741, the Board may accept the offer and enter an order that incorporates the registrant's proposed conditional settlement and to which the registrant consents. A consent order issued under this subsection shall provide that, upon successful compliance by the registrant with all provisions of the order, the disciplinary proceedings shall be terminated and any notice of hearing previously issued shall be vacated. The consent order shall further provide that, upon failure of the registrant to comply with all provisions of the order, or upon the discovery of material facts unknown to the Board at the time it issued the order, formal disciplinary proceedings against the registrant may be instituted or resumed. The consent order additionally may provide that, upon failure of the registrant to comply with all provisions of the order, the Board may immediately and summarily suspend the registrant's certificate for not more than one year. Within 30 days after the summary suspension, the registrant may request a hearing solely concerning the issue of compliance with the consent order.
4. Decisions and Orders: The Board shall make all decisions and orders by a majority vote of the members considering the case. The Board shall issue a final written decision in a contested case or state the decision on the record. The decision shall state separately the findings of fact and conclusions of law, upon which the decision is based, and the Board's order to implement the decision. All written decisions and orders of the Board shall be signed by the President or Secretary of the Board. When the Board suspends or revokes the certificate of a registrant, the Board may order the registrant to return the registrant's certificate within 30 days of receipt of the order. The Board shall serve each party, each attorney of record, and the Attorney General with a copy of each decision or order of the Board, as provided in R4-1-117.
- B. ALJ: In hearings conducted by the Office of Administrative Hearings (OAH), the ALJ shall provide the Board with written findings of fact, conclusions of law, and a recommended order within 30 days after the conclusion of the hearing or as otherwise provided by A.R.S. Title 41, Chapter 6, Article 10. The Board's decision approving or modifying the ALJ's recommendations is the final decision of the Board, subject to the filing of a motion for rehearing or review as provided in subsection (C).
- C. Rehearing or Review: Any party aggrieved by a decision of the Board may file with the Board a written motion for rehearing or review within 30 days after service of the decision specifying the particular grounds for the motion. The Attorney General may file a response to the motion for rehearing within 15 days after service of the motion. The Board may require the filing of written briefs upon issues raised in the motion for rehearing or review and provide for oral argument. Upon review of the documents submitted, the Board may modify the decision or vacate it and grant a rehearing for any of the following causes materially affecting a party's rights:
1. Irregularity in the administrative proceedings or any order or abuse of discretion, that deprived a party of a fair hearing;
 2. Misconduct of the Board or the ALJ;
 3. Accident or surprise that could not have been prevented by ordinary prudence;
 4. Newly discovered material evidence, that could not with reasonable diligence have been discovered and produced at the original hearing;
 5. Excessive or insufficient penalties;
 6. Error in the admission or rejection of evidence or other errors of law occurring at the administrative hearing, or during the progress of the proceeding; or
 7. That the findings of fact, or decision is not justified by the evidence or is contrary to law.

Board of Accountancy

Historical Note

Former Rules 5A, 5B, 5C; Amended effective January 3, 1977 (Supp. 77-1). Amended effective February 22, 1978 (Supp. 78-1). Former Section R4-1-14 renumbered as Section R4-1-114 without change effective July 1, 1983 (Supp. 83-4). Amended effective December 6, 1995 (Supp. 95-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-115. Advisory Committees

- A. The Board may appoint advisory committees concerning accounting reports, taxation and other areas of public accounting as the Board deems appropriate. Such committees shall evaluate investigation files referred by the Board, hold voluntary informal interviews and make advisory recommendations to the Board concerning settlement, dismissal or other disposition of the reviewed matter.
- B. The Board, in its discretion, may accept, reject or modify the advisory recommendation. The respondent may accept a settlement proposal communicated by the Board or submit an offer of settlement pursuant to A.A.C. R4-1-114(A)(4). If a settlement is reached, respondent may execute a consent order in lieu of formal disciplinary proceedings by the Board pursuant to A.R.S. § 32-741.

Historical Note

Adopted effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-115.01. Law Review Advisory Committee

- A. The Board may appoint an advisory committee to assist it in the evaluation of its statutory and regulatory provisions. The committee shall make advisory recommendations to the Board.
- B. The Board, in its discretion, may accept, reject, or modify the recommendations of this advisory committee.

Historical Note

Adopted effective November 20, 1998 (Supp. 98-4).

R4-1-115.02. Continuing Professional Education Advisory Committee

- A. The Board may appoint an advisory committee to assist it in the evaluation of continuing professional education (CPE). The committee shall make advisory recommendations to the Board concerning the following:
 1. CPE programs;
 2. Individual registrant's satisfaction of CPE requirements; and
 3. Applications for exemption from CPE requirements under A.R.S. § 32-730.
- B. The Board, in its discretion, may accept, reject, or modify the recommendations of this advisory committee.

Historical Note

Adopted effective November 20, 1998 (Supp. 98-4).

R4-1-116. Certification Advisory Committee

- A. The Board may appoint an advisory committee to assist in the evaluation of applicants for the Uniform Certified Public Accountant Examination and for certified public accountant. The committee shall review applications, transcripts and related materials, and make advisory recommendations to the Board concerning the qualifications of applicants for the CPA exam and for certification of certified public accountants.
- B. The Board, in its discretion, may accept, reject, or modify the advisory recommendation in determining the qualifications of applicants.

Historical Note

Adopted effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-117. Procedure: Witnesses; Service

- A. Pleadings; depositions; briefs; and related documents: A party shall print or type all pleadings, depositions, briefs, and related documents and, use only one side of the paper.
- B. Witness' depositions: If a party wants to take the oral deposition of a witness residing outside the state, the party shall file with the Board a petition for permission to take the deposition stating the name and address of the witness and setting forth in detail the nature and substance of the testimony expected to be given by the witness. The petition may be denied if the testimony of the witness is not relevant and material. If the petition is granted, the party may proceed to take the deposition of the witness by complying with the Arizona Rules of Civil Procedure. The party applying to the Board for permission to take a deposition shall bear the expense of the deposition.
- C. Witness' interrogatories: Any party desiring to take the testimony of a witness residing outside the state by means of interrogatories may do so by serving the adverse party as in civil matters and by filing with the Board a copy of the interrogatories and a statement showing the name and address of the witness. The adverse party may file in duplicate cross-interrogatories with a copy of the statement within 10 days following the service upon the adverse party. Any party who objects to the form of an interrogatory or cross-interrogatory may file a statement of the objections with the Board within five days after the service of the interrogatories or cross-interrogatories, and may suggest to the Board any amendment to an interrogatory or cross-interrogatory. The Board may amend, add, or strike out an interrogatory when in its judgment it is proper to do so.
 1. Notwithstanding the fact that a party may petition for permission to take the oral deposition of a witness, the Board may require that the information be provided through written interrogatories and vice versa.
 2. A copy of answers to the interrogatories shall be filed with the Board within 45 days after the interrogatories have been answered.
- D. Subpoenas: The Board officer, presiding at a hearing, may authorize subpoenas for the attendance of witnesses and for the production of books, records, documents and other evidence, and shall have the power to administer oaths. Any party desiring the Board to issue a subpoena for the production of evidence, documents or to compel the appearance of a witness at a hearing shall apply for it in writing stating the substance of the witness's testimony. If the testimony appears to be material and necessary, the Board shall issue the subpoena. The affixing of the seal of the Board and the signature of a Board officer is sufficient to show that the subpoena is genuine. The party applying for the subpoena shall bear the expense of service.
- E. Service:
 1. Service of any decision, order, subpoena, notice, or other paper may be made personally in the same manner as a summons served in a civil action. If a paper is served in this manner, service is deemed complete at the time of delivery.
 2. Except as provided in subsection (E)(5), service of any document may also be made by personal service or by enclosing a copy of the document in a sealed envelope and depositing the envelope in the United States mail, with first-class postage prepaid, addressed to the party, at the address last provided to the Board.
 3. Service by mail is deemed complete when the paper to be served is deposited in the United States mail. If the dis-

tance between the place of mailing and the place of address is more than 100 miles, service is deemed complete one day after the deposit of the paper for each 100 miles. In any event, service is deemed complete within six days after the date of mailing.

4. In computing time, the date of mailing is not counted. All intermediate Sundays and holidays are counted but, if the last day falls on a Sunday or a holiday, that day is not counted and service is considered completed on the next business day.
5. The Board shall mail each notice of hearing and final decision by certified mail to the last known address reflected in the records of the Board.
6. Service upon attorney: Service upon an attorney who has appeared for a party constitutes service upon the party.
7. Proof of service: A party shall demonstrate proof of service by filing an affidavit, as provided by law, proof of mailing by certified mail, or an affidavit of first-class mailing.

Historical Note

Former Rules 3A, 3B, 3C, 3D, 4A, 4B, 4C, 4D; Amended effective January 3, 1977 (Supp. 77-1). Former Section R4-1-15 renumbered as Section R4-1-117 without change effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-118. Specified Forms

- A. Applications; certificates, registrations: All applications, certificates, and registrations shall be on forms prescribed by the Arizona State Board of Accountancy.
- B. The forms are available from the Board Office upon request and require the following information, where applicable: Applicant/registrant name, previous name, and alias; address, telephone number, birth place, birth date, social security number, and special accommodations required because of disability; employer name, address, and telephone number; personal data, citizenship, sex, race, height, weight, eyes, hair, fingerprints, and photograph; examination, education, and work history; criminal history and authorization for investigation; affirmation of truthfulness and references; confirmation of prior certified public accountant certification or other occupational or professional certificates and status of certification; military service, continuing professional education reports; and accounting firm partners'/shareholders'/members' names, addresses, and telephone numbers.

Historical Note

Former Rule 8; Amended effective January 3, 1977 (Supp. 77-1). Amended effective November 5, 1980 (Supp. 80-6). Former Section R4-1-16 renumbered as Section R4-1-118 without change effective July 1, 1983 (Supp. 83-4). Amended effective November 1, 1995 (Supp. 95-4).

ARTICLE 2. CPA EXAMINATION

- R4-1-201. Reserved
- R4-1-202. Reserved
- R4-1-203. Reserved
- R4-1-204. Reserved
- R4-1-205. Reserved
- R4-1-206. Reserved
- R4-1-207. Reserved
- R4-1-208. Reserved

- R4-1-209. Reserved
- R4-1-210. Reserved
- R4-1-211. Reserved
- R4-1-212. Reserved
- R4-1-213. Reserved
- R4-1-214. Reserved
- R4-1-215. Reserved
- R4-1-216. Reserved
- R4-1-217. Reserved
- R4-1-218. Reserved
- R4-1-219. Reserved
- R4-1-220. Reserved
- R4-1-221. Reserved
- R4-1-222. Reserved
- R4-1-223. Reserved
- R4-1-224. Reserved
- R4-1-225. Reserved

R4-1-226. Applications; Examination – Paper and Pencil

- A. A person desiring to take the examination for qualification as a certified public accountant shall apply on an application form provided by the Board. The Board shall provide a different form for an initial examination and a re-examination. The applicant shall submit the application form to the Board office with a registrar-certified, or the equivalent, university or college transcript to confirm that the educational requirement in A.R.S. § 32-721 is completed.
- B. Filing date: Examinations are held twice a year in months designated by the Board. An applicant shall file the appropriate application form, fee, and photograph no earlier than the first day of the fourth month and no later than the last day of the third month preceding the examination for which the applicant applies. For purposes of this subsection, an application is considered filed on the date received by the Board office. An application received after 5:00 p.m. on the last day for filing is considered late except that, if the last day for filing falls on a Saturday, Sunday, or a legal holiday, the application is considered timely if received in the Board Office by 5:00 p.m. on the next business day. The Board shall not accept a late application.
- C. Application fees: Each applicant shall pay the examination fee under A.R.S. § 32-729 in the following amount:
 1. Initial applicant: For an initial examination if the applicant has not previously filed an application in Arizona for the examination, \$300.
 2. Re-take noncondition applicants: For an examination if the re-take applicant has no condition under R4-1-230, \$300.
 3. Re-take condition applicants: For an examination if the re-take applicant has a condition from this state under R4-1-229, \$100 for each section of the examination that is not successfully completed.
 4. Out-of-state candidates: All candidates applying through a state other than Arizona, but sitting for the examination in Arizona, shall pay the applicable fee in subsection (C)(1), (C)(2), or (C)(3).
 5. Refunds:
 - a. The Board shall refund half of the examination fee if a written notice of withdrawal is received in the

Board of Accountancy

- Board office no later than 5:00 p.m. on the last day for filing.
- b. The Board may refund half of the examination fee to an applicant who makes a written request and shows good cause. Good cause includes permanent or partial disability, illness, a physical or mental condition, military service, or financial hardship that prevents the applicant from appearing for the examination.
 - c. Except as provided in subsection (C)(5)(b), the full fee is forfeited by an applicant who withdraws after the final date for filing an application or who fails to appear for the examination.
- D. Re-take requirements: Under A.R.S. § 32-723, an applicant shall apply for all sections of the examination that are not successfully completed.
- E. The Board shall accept or reject an application or fee as provided by law and shall not hold an application or fee for a future examination.
- F. This rule applies until the Board implements the computer-based examination.

Historical Note

Former Rules 6A, 6B, 6C; Amended effective January 15, 1976 (Supp. 76-1). Amended effective December 1, 1976 (Supp. 76-5). Amended effective July 17, 1978 (Supp. 78-4). Amended effective November 5, 1980 (Supp. 80-5). Former Section R4-1-26 renumbered as Section R4-1-226 and amended in subsections (B) and (C) effective July 1, 1983 (Supp. 83-4). Amended effective August 21, 1986 (Supp. 86-4). Amended subsection (C) effective May 25, 1989 (Supp. 89-2). Amended effective January 1, 1994; filed in the Office of the Secretary of State September 21, 1993 (Supp. 93-3). Amended effective November 20, 1998 (Supp. 98-4). Amended by final rulemaking at 5 A.A.R. 4575, effective January 1, 2000 (Supp. 99-4). Amended by final rulemaking at 6 A.A.R. 4815, effective January 1, 2001 (Supp. 00-4). Amended by final rulemaking at 9 A.A.R. 5022, effective January 3, 2004 (Supp. 03-4).

R4-1-226.01. Applications; Examination – Computer-based

- A. A person desiring to take the examination for qualification as a certified public accountant shall apply on an application form provided by the Board, indicating the section or sections of the examination the person intends to take. The Board shall provide the applicable form for initial examination or re-examination. The applicant shall submit the application form to the Board office with a registrar-certified, or equivalent, university or college transcript to confirm that the educational requirement in A.R.S. § 32-723 is completed.
 - B. Filing date: An applicant shall file the application form and pay the fee required in subsection (C) during the Board's normal business hours.
 1. After the Board approves the applicant to sit for the examination, the Board shall issue an Authorization to Test (ATT) to permit the applicant to take a specified section or sections of the examination. The ATT for the specified section or sections of the examination is effective on the date of issuance and expires upon issuance of a new ATT for the same section or sections, attainment of a passing score on every section or sections specified on the ATT, expiration of a Notice to Schedule (NTS), or failure to pay the fee required under subsection (C)(4).
 2. At the time of application and during the time any ATT issued by the Board is open, the applicant shall not have an open ATT for the same section or sections in any other state or jurisdiction.
 3. After the applicant remits the fee required in subsection (C)(4), the Board shall issue an NTS to the applicant. If the applicant fails to comply with subsection (C)(4), an NTS will not be issued, the issued ATT expires, and the applicant shall apply anew to obtain another ATT for the specified section or sections.
 4. An NTS enables an applicant to schedule testing at an examination test center. The NTS is effective on the date of issuance and expires when the applicant schedules testing for all sections specified in the ATT or six months from the date of issuance, whichever occurs first.
 5. If an applicant does not pass a section of the examination under an existing ATT, the applicant shall not schedule testing for that section until the applicant obtains a new ATT for the section from the Board.
- C. Application fees: Each applicant shall pay the examination fee, required under A.R.S. § 32-729, in the following amount:
1. Initial applicant: For an initial examination, if the applicant has not previously filed an application for examination in Arizona, \$100 at the time of application.
 2. Re-take applicant: For an applicant who has previously filed an application for examination in Arizona, \$50 at the time of application.
 3. Out-of-state candidates: Any candidate who applies through a state other than Arizona, but sits for the examination in Arizona, shall pay the fee specified in subsection (C)(1) at the time of application.
 4. In addition to the applicable fee in subsection (C)(1), (C)(2), or (C)(3), within 90 calendar days of the date an ATT is issued, the applicant shall remit the fee required for an NTS to the National Association of State Boards of Accountancy.
 5. Refunds:
 - a. The Board shall refund half of the examination fee paid under subsection (C)(1), (C)(2), or (C)(3) to an applicant who makes a written request and shows good cause for a refund. Examples of good cause include permanent or partial disability, illness, physical or mental condition, military service, or financial hardship that prevents the applicant from appearing for the examination.
 - b. Except as provided in subsection (C)(5)(a), an examination fee is forfeited by an applicant who withdraws an application for examination after an ATT is issued.
- D. The Board shall accept or reject an application or fee as provided by law and shall not hold an application or fee for a future examination.
- E. This rule applies on the date that the Board implements the computer-based examination.

Historical Note

New Section made by final rulemaking at 9 A.A.R. 5022, effective January 3, 2004 (Supp. 03-4).

R4-1-227. Repealed**Historical Note**

Former Rule 6D; Amended effective July 17, 1978 (Supp. 78-4). Former Section R4-1-27 renumbered and amended as Section R4-1-227 effective July 1, 1983 (Supp. 83-4). Section R4-1-227 repealed effective November 20, 1998 (Supp. 98-4).

R4-1-228. Examination Results; Review and Processing of Grades and Papers

- A. Grade results of the examination shall be mailed to each candidate on the grade release date established by the American Institute of Certified Public Accountants.
- B. Examination papers; grades
 - 1. A candidate may request a review of the candidate's examination answers by the American Institute of Certified Public Accountants by submitting a written request to the Board.
 - 2. A candidate may file an appeal to review examination questions that were answered incorrectly by submitting a written request to the Board.
- C. Examination papers; destruction: The Board may, in its discretion, destroy examination papers after the time-frame set forth in A.R.S. § 32-723(E) has expired.

Historical Note

Former Rules 6E, 6F; Former Section R4-1-28 renumbered as Section R4-1-228 without change effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-229. Condition Credit

- A. Requirements. A candidate is required to pass all sections of the examination in order to qualify for a certificate. However, if, at a given sitting of the examination, a candidate passes two or more but not all sections, the Board grants the candidate condition credit for those sections passed and the candidate need not retake those sections provided:
 - 1. The candidate wrote all sections of the examination at that sitting;
 - 2. The candidate attained a minimum grade of 50 on each section not passed at that sitting;
 - 3. The candidate passes the remaining sections of the examination within six consecutive examinations given after the one at which the first sections were passed;
 - 4. At each subsequent sitting at which the candidate seeks to pass any additional sections, the candidate writes all sections not yet passed; and
 - 5. In order to receive credit for passing additional sections in any subsequent sitting, the candidate attains a minimum grade of 50 on sections written but not passed at that sitting.
- B. Transfer of condition credit. The Board shall give a candidate credit for all sections of an examination passed in another state if credit would have been given, under the then applicable requirements, had the candidate taken the examination in this state. If a candidate transfers condition credit from another state, as provided in A.R.S. § 32-723(G), the candidate shall pass the remaining sections of the examination within three years or within six consecutive examinations following the date the candidate received the condition credit in the other state.
- C. Upon implementation of the computer-based examination, a candidate is allowed to sit for each section individually and in any order.
 - 1. The candidate shall pass all four sections of the examination within any 18-month period that begins on the date that the first section is passed. If the candidate does not pass all four sections within the 18-month period, the candidate may continue to take the examination, but is required to retake any section passed earlier than 18 months from the date that the last section is passed.
 - 2. The Board shall give the candidate conditional credit for any section passed for 18 months from the date the candidate passes that section. This credit is retained regardless

of any score on failed sections and without regard to whether the candidate takes other sections.

- 3. The candidate shall not retake a failed section in the same examination window. An examination window is the three-month period in which the candidate has an opportunity to take the examination.
- D. Upon implementation of the computer-based examination, the Board shall give conditional credit for any section a candidate has passed under subsection (A).
 - 1. The candidate will have 18 months from the implementation date of the computer-based examination to pass every remaining section. If the candidate does not pass every remaining section, the candidate will lose credit for any section passed before the implementation date of the computer-based examination.
 - 2. Notwithstanding subsection (D)(1) any section passed after implementation of the computer-based examination will be retained as prescribed in subsection (C).

Historical Note

Former Rules 6G, 6H; Former Section R4-1-29 renumbered as Section R4-1-229 without change effective July 1, 1983 (Supp. 83-4). Amended effective August 21, 1986 (Supp. 86-4). Section repealed, new Section adopted effective January 1, 1994; filed in the Office of the Secretary of State September 21, 1993 (Supp. 93-3). Amended effective November 20, 1998 (Supp. 98-4). Amended by final rulemaking at 9 A.A.R. 5022, effective January 3, 2004 (Supp. 03-4).

R4-1-230. Non-conditioned Candidates; Evidence of Additional Study

- A. Any candidate who has taken two examinations and has failed to receive a condition is required, before being accepted for further examination, to furnish to the Board the following evidence of additional study:
 - 1. A candidate shall be permitted to take examination number three based upon a statement of self-study.
 - 2. A candidate shall be permitted to take the fourth and subsequent examinations based upon:
 - a. A statement of self-study, providing the grades on the last examination demonstrate an overall improvement over the examination immediately prior, otherwise
 - b. Proof of additional formal education.
- B. The applicant shall swear to and sign the statement of self-study required under this Section before a notary public, and ensure that the statement demonstrates a comprehensive program of self-study, described in detail as to time spent, subjects reviewed, and textbooks used.
- C. Proof of additional formal education required under this rule means a certificate or transcript of grades from the institution, supervisor, or teacher, demonstrating the adequate completion of extension courses, correspondence courses, regular day or night college courses, or other supervised courses of study dealing with accounting or related subjects. Documentation shall be provided to the Board to confirm current enrollment in two or more parts of a supervised study program for the American Institute Certified Public Accountants uniform certified public accountant examination.
- D. This rule expires on the date that the Board implements the computer-based examination.

Historical Note

Former Rule 6I; Former Section R4-1-30 renumbered as Section R4-1-230 without change effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998

Board of Accountancy

(Supp. 98-4). Amended by final rulemaking at 9 A.A.R. 5022, effective January 3, 2004 (Supp. 03-4).

R4-1-231. Expired**Historical Note**

Former Rule 6J; Former Section R4-1-31 renumbered as Section R4-1-231 without change effective July 1, 1983 (Supp. 83-4). Section repealed, new Section adopted effective January 1, 1994; filed in the Office of the Secretary of State September 21, 1993 (Supp. 93-3). Section expired under A.R.S. § 41-1056(E) at 10 A.A.R. 419, effective December 31, 2003 (Supp. 04-1).

ARTICLE 3. CERTIFICATION AND REGISTRATION**R4-1-301. Reserved****R4-1-302. Reserved****R4-1-303. Reserved****R4-1-304. Reserved****R4-1-305. Reserved****R4-1-306. Reserved****R4-1-307. Reserved****R4-1-308. Reserved****R4-1-309. Reserved****R4-1-310. Reserved****R4-1-311. Reserved****R4-1-312. Reserved****R4-1-313. Reserved****R4-1-314. Reserved****R4-1-315. Reserved****R4-1-316. Reserved****R4-1-317. Reserved****R4-1-318. Reserved****R4-1-319. Reserved****R4-1-320. Reserved****R4-1-321. Reserved****R4-1-322. Reserved****R4-1-323. Reserved****R4-1-324. Reserved****R4-1-325. Reserved****R4-1-326. Reserved****R4-1-327. Reserved****R4-1-328. Reserved****R4-1-329. Reserved****R4-1-330. Reserved****R4-1-331. Reserved****R4-1-332. Reserved****R4-1-333. Reserved****R4-1-334. Reserved****R4-1-335. Reserved****R4-1-336. Reserved****R4-1-337. Reserved****R4-1-338. Reserved****R4-1-339. Reserved****R4-1-340. Reserved****R4-1-341. CPA Certificates; by Examination**

- A.** Application: Upon passing all parts of the examination prescribed by A.R.S. § 32-723(C) at one sitting or as prescribed by R4-1-229, a candidate believing himself or herself to be otherwise qualified under A.R.S. § 32-721, may apply for a certificate of certified public accountant. The candidate shall complete an application packet as prescribed by the Board. The application packet shall include the following information: applicant's background, personal data and photograph; examination scores; education and work history; university or college transcripts to confirm that the bachelor's degree and requirements have been completed; employer or employers name, address, and telephone number; authorization for investigation; and affirmation of truthfulness.
- B.** Application fee: The application fee for a certificate by examination is \$100.00.
- C.** Examination: Each applicant for a certificate of certified public accountant shall pass an examination in Professional Ethics as prescribed by the Board.
- D.** An applicant for certification shall submit an application package containing the following items to the Board Office:
 1. A completed application form signed by the applicant and notarized;
 2. Other information required by the Board as set forth in subsection (A) necessary to determine the applicant's eligibility; and
 3. The application fee.
- E.** Within 30 days of receiving an application package, the Board shall notify the applicant that the package is either complete or incomplete. If the applicant submits the items set forth in subsection (D) during the month the Board establishes the last day to file applications for examination or the subsequent month, the Board shall have an additional 60 days to notify the applicant that the package is either complete or incomplete. If the package is incomplete, the notice shall specify what information is missing.
 1. Service of any written notice shall be completed in accordance with R4-1-117(E)(1), (2), and (3). Pursuant to R4-1-455.03(F), the applicant has 30 days to respond to the Board's request for additional information. If the applicant fails to timely respond to the Board's request, the Board may close the file. An applicant whose file has been closed and who later wishes to become certified, shall apply anew.
 2. Within 60 days of receipt of all the missing information, the Board shall notify the applicant that the application package is complete.
 3. The Board shall not process an application for certification until the applicant has fully complied with the requirements of subsection (D).
 4. The Board shall issue a certification decision no later than 150 days after receipt of a completed application package. The date of receipt is the postmark date of the notice advising the applicant that the package is complete.
 5. If the Board finds deficiencies during the substantive review of the application, the Board may issue a written request to the applicant for additional information.
 6. The 150-day time-frame for a substantive review for the issuance of a certificate is suspended from the date of the

written request for additional information pursuant to subsection (E)(5) until the date that all information is received. Service of any written notice shall be completed in accordance with R4-1-117(F)(1), (2), and (3). Pursuant to R4-1-455.03(F), the applicant has 30 days to respond to the Board's request for additional information. If the applicant fails to timely respond to the Board's request, the Board shall finish its substantive review based upon the information the applicant has presented.

7. When the applicant and the Board mutually agree in writing, the substantive review time-frame may be extended in accordance with A.R.S. § 41-1075.
- F. When the Board denies an applicant's request for certification, the Board shall send the applicant written notice explaining:
 1. The reason for denial, with citations to supporting statutes or rules;
 2. The applicant's right to seek a fair hearing to challenge the denial; and
 3. The time periods for appealing the denial.
- G. With the exception in subsection (E), the Board establishes the following licensing time-frames for the purpose of A.R.S. § 41-1073:
 1. Administrative completeness review time-frame: 30 days;
 2. Substantive review time-frame: 150 days; and
 3. Overall time-frame: 180 days.

Historical Note

Former Rule 7A; Amended effective December 1, 1976 (Supp. 76-5). Amended effective November 5, 1980 (Supp. 80-5). Former Section R4-1-41 renumbered as Section R4-1-341 without change effective July 1, 1983 (Supp. 83-4). Amended effective August 21, 1986 (Supp. 86-4). Amended effective September 24, 1997 (Supp. 97-3). Amended by final rulemaking at 9 A.A.R. 5022, effective January 3, 2004 (Supp. 03-4).

R4-1-341.01. CPA Certificates; by Non-Arizona Examinee

- A. Application: An applicant for certification who sat for the CPA examination, as prescribed by A.R.S. § 32-723(C), outside of Arizona, passed all parts of the CPA examination at one sitting or as prescribed by R4-1-229, and who believes himself or herself to be otherwise qualified under A.R.S. § 32-721 shall comply with the application requirements as set forth in R4-1-341.
- B. Application fee: The application fee for a certificate by a non-Arizona examinee is \$100.00.
- C. Examination: Each applicant for a certificate of certified public accountant shall pass an examination in Professional Ethics as prescribed by the Board.
- D. The provisions set forth in R4-1-341(A), (D), (E), (F), and (G) apply to non-Arizona examinees.

Historical Note

Adopted effective November 1, 1995 (Supp. 95-4).
Amended effective September 24, 1997 (Supp. 97-3).
Amended by final rulemaking at 9 A.A.R. 5022, effective January 3, 2004 (Supp. 03-4).

R4-1-342. CPA Certificates; by Reciprocity

- A. Application: A person applying for a certificate as a certified public accountant in Arizona on the basis of a certificate in good standing issued by another state, pursuant to A.R.S. § 32-727, shall comply with the application requirements set forth in R4-1-341.
- B. Application fee: The application fee for a certificate by reciprocity is \$100.

- C. Examination: Each applicant for a certificate of certified public accountant shall pass an examination in Professional Ethics as prescribed by the Board.
- D. The provisions set forth in R4-1-341(D), (E), (F), and (G) and the application packet requirements set forth in R4-1-341(A) apply to applicants seeking certification by reciprocity.

Historical Note

Former Rule 7B; Amended effective December 1, 1976 (Supp. 76-5). Amended effective November 5, 1980 (Supp. 80-6). Former Section R4-1-42 renumbered as Section R4-1-342 without change effective July 1, 1983 (Supp. 83-4). Amended effective March 26, 1987 (Supp. 87-1). Amended effective September 24, 1997 (Supp. 97-3). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-343. Accounting Experience

- A. Definitions. For the purpose of this Section only, the following definitions apply:
 1. "Employed" means engaged in providing accounting services to an employer, clients or other third parties.
 2. "Full time" means employed and providing accounting services at least 30 hours per week.
 3. "Examination" means the critical inquiry or scrutiny and analysis of financial or accounting information.
 4. "Reporting" means to communicate examination results to an employer, clients or other third parties.
- B. Graduate courses. For a course to qualify as a graduate level accounting course that meets the experience requirement of A.R.S. § 32-721(5):
 1. The course shall be designated by the educational institution at which credit has been earned as a course that is normally open only to graduate students, and
 2. The content of the course shall require a prerequisite and mastery of the subject matter normally required for completion of an undergraduate degree.
- C. Certificate of experience. The applicant shall submit a completed application package which includes one or more certificates of experience to confirm the accounting experience required by A.R.S. § 32-721(5) and such other information as the Board may require for explanation or clarification of experience.

Historical Note

Former Rule 7C; Former Section R4-1-43 repealed, new Section R4-1-43 adopted effective February 22, 1978 (Supp. 78-1). Former Section R4-1-43 renumbered as Section R4-1-343 without change effective July 1, 1983 (Supp. 83-4). Amended effective May 31, 1991 (Supp. 91-2). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-344. Denial of Certification

An applicant who is denied certification or registration by the Board is entitled to have a hearing before the Board or an ALJ.

1. Written application: The applicant shall file a notice of appeal pursuant to A.R.S. § 41-1092.03 within 30 days after receipt of the notice of denial.
2. Hearing notice: The Board shall provide the applicant with notice of the hearing in the manner prescribed by A.R.S. § 41-1092.05.
3. Conduct of hearing: The Board or the ALJ shall conduct the hearing in accordance with A.R.S. Title 41, Chapter 6, Article 10 and applicable rules governing hearings.
4. Burden of proof: At the hearing, the applicant is the moving party and has the burden of proof.
5. Matters limited: At the hearing, the Board or ALJ shall limit the issues to those originally presented to the Board.

Board of Accountancy

Historical Note

Former Rule 7D; Former Section R4-1-44 renumbered as Section R4-1-344 without change effective July 1, 1983 (Supp. 83-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-345. Registration; Fees; Certificate Renewal

- A.** Initial registration: A registration fee is due when a new certificate is issued or when a new firm is registered by the Board. The initial registration fee is prorated for registration periods of less than two years.
- B.** Renewal registration: All registrants, individuals, and firms shall register biennially by filing with the Board the appropriate completed registration form specified in R4-1-118 and pay the registration fee prescribed by this Section. A registrant shall file the appropriate form no later than 5:00 p.m. on the last business day of the month. A renewal registration is deemed filed on the date received in the Board Office. It is the sole responsibility of the registrant to complete the renewal registration requirements at the following times:
 - 1. Individual registrant: An individual registrant shall register at the following times:
 - a. A registrant born in an even-numbered year shall register during the month of birth in each even-numbered year.
 - b. A registrant born in an odd-numbered year shall register during the month of birth in each odd-numbered year.
 - 2. Firms: A firm shall register at the following times:
 - a. A firm that initially registered with the Board in an even-numbered year shall register during the month of the initial registration in each even-numbered year.
 - b. A firm that initially registered with the Board in an odd-numbered year shall register during the month of the initial registration in each odd-numbered year.
- C.** Registration fees for an individual: The biennial registration fee for each certified public accountant and each public accountant is \$300 per registration period. The registration fee shall be prorated by month for an initial registration period of less than two years.
- D.** Registration fees for a firm: The biennial registration for each certified public accountant or public accountant firm is \$300 per registration period.
- E.** Penalty and suspension for failure to register.
 - 1. The penalty for failure to register and pay a registration fee as provided in this Section is suspension of the registrant's registration. The Board shall vacate a suspension under this Section when the registrant has paid:
 - a. All past due registration fees;
 - b. A \$25 late fee; and
 - c. \$25 for each full year the registrant failed to register, total payment not to exceed \$950.
 - 2. If a suspension under subsection (E)(1) continues for more than six months, an individual shall return the registration certificate to the Board. If a suspension under this subsection continues for more than 12 months, an individual's certificate shall be deemed expired under A.R.S. § 32-741(C).
- F.** A registrant who is granted inactive status shall not provide accounting services for a fee, or other form of compensation, including:
 - 1. Recording and summarizing financial transactions;
 - 2. Analyzing and verifying financial information;
 - 3. Reporting financial results to an employer, client, or other party; and
 - 4. Rendering tax and management advisory services.

Historical Note

Former Rule 7E; Amended effective December 1, 1976 (Supp. 76-5). Amended effective February 22, 1978 (Supp. 78-1). Amended effective July 17, 1978 (Supp. 78-4). Amended effective November 5, 1980 (Supp. 80-6). Former Section R4-1-54 renumbered and amended as Section R4-1-345 effective July 1, 1983 (Supp. 83-4). Amended effective March 26, 1987 (Supp. 87-1). Amended effective July 1, 1991; filed May 2, 1991 (Supp. 91-2). Amended effective November 20, 1998 (Supp. 98-4). Amended by final rulemaking at 5 A.A.R. 4575, effective January 1, 2000 (Supp. 99-4). Amended by final rulemaking at 6 A.A.R. 4815, effective January 1, 2001 (Supp. 00-4).

R4-1-346. Notice of Change of Address

- A.** Each registrant shall give notice to the Board, within 30 days, of any business, mailing, or residential change of address by filing a revised Biennial Registration Form.
- B.** Each registrant shall give notice to the Board of the opening of any new or additional office, or the closing of any existing office. Notice shall be given to the Board by filing a revised Biennial Registration Form.

Historical Note

Former Rule 7F; Amended effective January 3, 1977 (Supp. 77-1). Amended effective November 5, 1980 (Supp. 80-6). Former Section R4-1-55 renumbered and amended as Section R4-1-346 effective July 1, 1983 (Supp. 83-4). Amended effective January 1, 1994; filed in the Office of the Secretary of State September 21, 1993 (Supp. 93-3). Amended effective November 20, 1998 (Supp. 98-4).

ARTICLE 4. REGULATION

- R4-1-401. Reserved**
- R4-1-402. Reserved**
- R4-1-403. Reserved**
- R4-1-404. Reserved**
- R4-1-405. Reserved**
- R4-1-406. Reserved**
- R4-1-407. Reserved**
- R4-1-408. Reserved**
- R4-1-409. Reserved**
- R4-1-410. Reserved**
- R4-1-411. Reserved**
- R4-1-412. Reserved**
- R4-1-413. Reserved**
- R4-1-414. Reserved**
- R4-1-415. Reserved**
- R4-1-416. Reserved**
- R4-1-417. Reserved**
- R4-1-418. Reserved**
- R4-1-419. Reserved**
- R4-1-420. Reserved**
- R4-1-421. Reserved**
- R4-1-422. Reserved**

- R4-1-423. Reserved
- R4-1-424. Reserved
- R4-1-425. Reserved
- R4-1-426. Reserved
- R4-1-427. Reserved
- R4-1-428. Reserved
- R4-1-429. Reserved
- R4-1-430. Reserved
- R4-1-431. Reserved
- R4-1-432. Reserved
- R4-1-433. Reserved
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- R4-1-448. Reserved
- R4-1-449. Reserved
- R4-1-450. Reserved
- R4-1-451. Reserved
- R4-1-452. Reserved
- R4-1-452. Reserved

R4-1-453. Continuing Professional Education

- A. Continuing professional education includes attendance at classes, authorship of articles, conducting or teaching courses, and self-study courses if they contribute to the maintenance and improvement of professional competence in accounting.
- B. Measurement Standards. The Board shall use the following standards to measure the hours of credit given for CPE programs completed by an individual registrant.
 - 1. A class hour shall consist of a minimum of 50 continuous minutes of instruction. CPE credit shall be given for whole class-hours only. The Board shall give one CPE credit hour for each class hour of instruction.
 - 2. Courses taken at colleges and universities described in R4-1-231 apply toward the CPE requirement as follows:
 - a. Each semester system credit hour is worth 15 CPE credit hours,
 - b. Each quarter system credit hour is worth 10 CPE credit hours, and
 - c. Each noncredit class hour is worth one CPE credit hour.

- 3. Each correspondence program hour is worth one CPE credit hour.
- 4. Acting as a lecturer or discussion leader in a CPE program, including college courses, may be counted as CPE credit. The Board shall determine the amount of credit on the basis of actual presentation hours, and up to one additional hour of actual preparation time for each hour of presentation. A registrant may only claim as much preparation time as is actually spent for a presentation. Total credit earned under this subsection for service as a lecturer or discussion leader, including preparation time may not exceed 40 credit hours of the renewal period's requirement. Credit is limited to only one presentation of any seminar or course with no credit for repeat teaching of that course.
- 5. Writing and publishing articles or books that contribute to the accounting profession may be counted for a maximum of 20 hours of CPE credit during each renewal period.
 - a. Credit may be earned for writing accounting material not used in conjunction with a seminar if the material addresses an audience of certified public accountants, is at least 3,000 words in length, and is published by a recognized third-party publisher of accounting material or a sponsor.
 - b. For each 3,000 words of original material written, the author may earn two credit hours. Multiple authors may share credit for material written.
- 6. A registrant may earn a combined maximum of 40 hours of CPE credit under subsections (B)(4) and (5) above during each renewal period.
- 7. A registrant may earn a maximum of 20 hours of CPE during each renewal period by completing introductory computer related courses. Computer related courses may qualify as management advisory services pursuant to subsection (D), if they meet the provisions of subsection (C)(1).
- C. Programs Which Qualify. CPE credit may be given for a program that provides a formal course of learning at a professional level and contributes directly to the professional competence of participants.
 - 1. Qualified programs shall:
 - a. Be developed by persons knowledgeable and experienced in the subject matter;
 - b. Provide written outlines or full text;
 - c. Be administered by an instructor or organization knowledgeable in the program content; and
 - d. Utilize teaching methods consistent with the study program.
 - 2. Correspondence programs will qualify, if they meet the provisions above and if the sponsors maintain written records of each student's participation and records of the program outline for three years following the conclusion of the program.
 - 3. Notwithstanding the foregoing, an ethics program taught or developed by an employer or co-worker of a registrant does not qualify for the ethics requirements of subsection (D)(5).
- D. Hour Requirement. A registrant shall complete the hour requirements as specified under subsections (D)(1) through (9) below. The registrant shall ensure that a minimum of 50% of any required credit hours are in the subject areas of accounting, auditing, taxation, business law, or management advisory services, including the following credit hours required under subsections (D)(1) through (9).

1. Registrants in public practice whose last renewal period was for two years shall complete 80 credit hours of CPE during the two-year period immediately preceding biennial registration renewal.
 2. Registrants for registration renewal who have been certified less than two years shall complete 10 credit hours of CPE for every three months registered before registration renewal.
 3. Registrants who neither reside nor practice accounting in Arizona are required to fulfill Arizona's CPE requirement before renewing their registrations.
 4. Registrants not engaged in public accounting practice, who do not perform public accounting services for compensation, shall complete 60 hours of CPE during the two-year period immediately preceding registration renewal.
 5. A registrant shall complete four hours of CPE in ethics during the two-year period immediately preceding registration renewal. The four-hour requirement shall include a minimum of one hour of each of the following:
 - a. Ethics related to the practice of accounting including the American Institute of Certified Public Accountants Professional Code of Conduct; and
 - b. Board statutes and administrative rules.
 6. Registrants entering public accounting practice shall notify the Board. The registrant shall complete a total of 80 credit hours of CPE before practicing public accounting. CPE hours taken to satisfy the registrant's current biennial registration may be used toward meeting this requirement. The additional CPE hours submitted in support of this requirement may not be used to meet the CPE credit hour requirement for the next biennial registration. Once entered, the registrant shall complete the applicable hours required for registration.
 7. A registrant who is retired, is age 60 or more, and does not perform any accounting services, whether or not participating in the profits of a public accounting entity, does not need to complete any CPE for registration renewal.
 8. Applicants for reinstatement following the suspension of a certificate pursuant to A.R.S. § 32-741(C) shall complete any deficiency in CPE not to exceed 80 credit hours. CPE hours used to meet the reinstatement requirement may not be used to meet the CPE credit hour requirement for the next biennial registration. An applicant whose suspension has extended beyond the next biennial registration period shall complete the deficiency which resulted in the suspension as well as the 80 credit hours required for re-registration.
 9. Applicants for reinstatement following the suspension of a certificate, other than that described in subsection (D)(8), shall complete the applicable credit hour requirement for registration. The CPE hours used to meet the reinstatement requirement may not be used to meet the CPE credit hour requirement for the next biennial registration. For purposes of this subsection, an applicant whose suspension was for reasons other than nonregistration and whose suspension has extended beyond two registration periods (four years) is not required to report more than 160 hours of CPE.
 10. The Board may grant a partial or complete exemption from the CPE requirement to an individual registrant who makes a written request in which good cause is shown. Good cause includes permanent or partial disability, illness or other physical or mental condition, military service, or financial hardship which prevented the individual registrant from completing the CPE requirement.
 11. A registrant shall report total CPE credit hours completed during the renewal period. Credit hours in excess of the number required for the current registration may not be carried forward to a subsequent registration period.
- E. Reporting.** Applicants for initial registration, renewal, reinstatement or who are subject to audit may provide a signed statement, under penalty of perjury, of the CPE programs for which they apply for credit. This statement shall show:
1. Sponsoring organization;
 2. Location of program;
 3. Title of program or description of content; and
 4. Dates attended.
- F. CPE Record Retention.** Applicants shall maintain for three years and provide the Board upon request the following documents: course outline, proof of attendance or participation, and written proof of completion.

Historical Note

Adopted effective December 19, 1979 (Supp. 79-6).
 Amended effective November 5, 1980 (Supp. 80-6).
 Former Section R4-1-53 renumbered as Section R4-1-453 and amended in subsections (A) and (B) effective July 1, 1983 (Supp. 83-4). Former Section R4-1-453 repealed, new Section R4-1-453 adopted effective July 15, 1988 (Supp. 88-3). Correction, Historical Note for Supp. 88-3 should read "Former Section R4-1-453 repealed, new Section R4-1-453 adopted effective January 1, 1990, filed July 15, 1988" (Supp. 89-1). Section repealed, new Section adopted effective December 6, 1995 (Supp. 95-4). Amended effective November 20, 1998 (Supp. 98-4). Amended by final rulemaking at 10 A.A.R. 1886, effective January 1, 2005 (Supp. 04-2).

R4-1-454. Repealed

Historical Note

Adopted effective July 1, 1983 (Supp. 83-4). Repealed effective November 20, 1998 (Supp. 98-4).

R4-1-455. Professional Conduct: Independence, Integrity, and Objectivity

- A. Independence:** Certified public accountants, public accountants, or firms of which they are partners or shareholders shall not express an opinion on financial statements of an enterprise unless they and their firms are independent with respect to the enterprise. Independence is considered to be impaired if, for example:
1. During the period of their professional engagement, or at the time of expressing their opinion, they or their firms:
 - a. Had or were committed to acquire any direct or material indirect financial interest in the enterprise;
 - b. Had any joint closely held business investment with the enterprise or any officer, director or principal stockholder of the enterprise, which was material in relation to their or their firm's net worth; or
 - c. Had any loan to or from the enterprise or any officer, director or principal stockholder of the enterprise. This latter proscription does not apply to the following loans from a financial institution when made under normal lending procedures, terms and requirements:
 - i. Loans obtained by certified public accountants or public accountants or their firms which are not material in relation to the net worth of the borrower;
 - ii. Home mortgages; and
 - iii. Other secured loans, except loans guaranteed by certified public accountants' or public

- accountants' firm which are otherwise unsecured.
2. During the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion, they or their firms:
 - a. Were connected with the enterprise as promoters, underwriters or voting trustees, directors or officers or in any capacity equivalent to that of a member of management or of an employee; or
 - b. Were trustees of any trust or executors or administrators of any estate if the trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise; or were trustees for any pension or profit-sharing trust of the enterprise.
 3. The above examples are not intended to be all-inclusive.
- B. Integrity and objectivity:** Certified public accountants, public accountants, or firms shall not knowingly or recklessly misrepresent facts when engaged in the practice of public accounting, including the rendering of tax and management advisory services. In tax practices, certified public accountants or public accountants may resolve doubt in favor of their client as long as there is reasonable support for their position.
1. Contingent fees: A contingent fee is a fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of the service. Solely for purposes of this rule, the fees are not regarded as being contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies.
 - a. A certified public accountant, public accountant, or firm engaged in the practice of public accounting shall not for a contingent fee for any client:
 - i. Perform an audit or review of a financial statement;
 - ii. Prepare a compilation of a financial statement when the certified public accountant, public accountant, or firm expects, or reasonably should expect, that a third party will use the financial statement and the certified public accountant, public accountant, or firm's compilation report does not disclose a lack of independence;
 - iii. Perform an examination of prospective financial information; or
 - iv. Prepare an original or amended tax return or a claim for a tax refund.
 - b. The prohibitions in subsection (B)(1)(a) apply during the period in which the certified public accountant, public accountant, or firm is engaged to perform any of the services listed in subsection (B)(1)(a) and the period covered by any historical financial statements involved in the listed services.
 2. Commissions and referral fees:
 - a. A commission is a fee calculated as a percentage of the total sale or service.
 - b. A referral fee is a fee paid in exchange for producing a purchase of goods or services.
 - c. Prohibited commissions: A certified public accountant, public accountant, or firm engaged in the practice of public accounting shall not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission when the certified public accountant, public accountant, or firm also performs any of the following for that client:
 - i. An audit or review of a financial statement;
 - ii. A compilation of a financial statement when the certified public accountant, public accountant, or firm expects, or reasonably might expect, that a third party will use the financial statement and the certified public accountant, public accountant, or firm's compilation report does not disclose a lack of independence; or
 - iii. An examination of prospective financial information.
 - d. The prohibitions in subsection (B)(2)(c) apply during the period in which the certified public accountant, public accountant, or firm is engaged to perform any of the services listed in subsection (B)(2)(c) and the period covered by any historical financial statements involved in the listed services.
 - e. Disclosure of permitted commissions: A certified public accountant, public accountant, or firm engaged in the practice of public accounting who is not prohibited by this rule from performing services or receiving a commission and who is paid or expects to be paid a commission shall make a written disclosure in advance of accepting the engagement. This disclosure shall be made to any person or entity to whom the certified public accountant, public accountant, or firm recommends or refers a product or service to which the commission relates and shall include the dollar amount or percentage to be received.
 - f. Disclosure of referral fees: Any certified public accountant, public accountant, or firm that accepts a referral fee for recommending or referring any product or service to any person or entity or that pays a referral fee to obtain a client shall disclose to the client, in writing, the acceptance or payment of the referral fee and its amount.
 3. Incompatible occupations: Certified public accountants or public accountants who are engaged in the practice of public accounting shall not concurrently engage in any business or occupation which impairs their objectivity in rendering professional services.

Historical Note

Former Rule 9; Amended effective January 15, 1976 (Supp. 76-1). Amended effective January 3, 1977 (Supp. 77-1). Amended effective February 22, 1978 (Supp. 78-1). Amended effective November 5, 1980 (Supp. 80-6). Former Section R4-1-56 renumbered as Section R4-1-455 and amended in subsections (B) and (D) effective July 1, 1983 (Supp. 83-4). Section R4-1-455 amended and divided into R4-1-455 and R4-1-455.01 thru R4-1-455.04 effective April 22, 1992 (Supp. 92-2). Amended effective December 6, 1995 (Supp. 95-4). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-455.01. Professional Conduct: Competence and Technical Standards

- A. Competence:** Registrants shall not undertake any engagement for the performance of professional services which they cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with subsections (B) and (C).

Board of Accountancy

- B. Auditing standards: Registrants shall not permit their names to be associated with financial statements in such a manner as to imply that they are acting with independence with respect to the financial statements unless they have complied with applicable generally accepted auditing standards.
- C. Accounting principles: Registrants shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if the financial statements contain any departure from the accounting principle which has a material effect on the financial statements taken as a whole, unless the registrants can demonstrate that by reason of unusual circumstances the financial statements would otherwise have been misleading. In such case, the registrants' reports shall describe the departure, the approximate effects of the departure, if practicable, and the reasons why compliance with the principle would result in a misleading statement.
- D. Accounting and review standards: Certified public accountants, public accountants, or firms shall not permit their names to be associated with unaudited financial statements or other unaudited financial information of a non-public entity in a manner which may imply that they are acting as independent accountants unless they have complied with all applicable standards for accounting and review services.
- E. Forecasts and projections: Certified public accountants, public accountants, or firms shall not permit their names to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the certified public accountants, public accountants, or firms vouch for the achievability of the forecast or projection.
- F. In expressing an opinion on representations, in financial statements which they have examined, certified public accountants, public accountants, or firms have violated A.R.S. § 32-741(A)(4) if they:
 1. Fail to disclose a material fact known to them which makes the financial statements misleading;
 2. Fail to report any material misstatement known to them to appear in the financial statement;
 3. Are materially negligent in the conduct of their examination or in making their report on the examination;
 4. Fail to acquire sufficient information to warrant expression of an opinion, or their exceptions are sufficiently material to negate the expression of an opinion; or
 5. Fail to direct attention to any material departure from generally accepted accounting principles or disclose any material omission of generally accepted auditing procedure applicable under the circumstances. The provisions of this subsection are not intended to be all-inclusive or to limit the application of A.R.S. § 32-741(A)(4).
- G. Tax practice standards: Certified public accountants, public accountants, or firms shall exercise due diligence in the conduct of their tax practices, and the current standards set forth in the American Institute of Certified Public Accountants Statements on Responsibilities in Tax Practice shall presumptively represent due diligence.
- H. Standards: The application of standards such as "generally accepted accounting principles," "generally accepted auditing standards," and "applicable standards for accounting and review services" by certified public accountants, public accountants, or firms is to be made to the specific engagement or problem at hand by the exercise of professional judgment in the context of the literature of the accounting profession. The Board considers official statements of the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, and other specialized bodies dealing with accounting and auditing matters to be persuasive sources for interpretation of the standards. Persons who take positions that

depart from the official statements shall be prepared to justify them.

Historical Note

Section R4-1-455.01 renumbered from R4-1-455(B) and amended effective April 22, 1992 (Supp. 92-2). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-455.02. Professional Conduct: Confidentiality; Records Disposition

- A. Confidential client information: Certified public accountants, public accountants, or firms shall not disclose any confidential information obtained in the course of a professional engagement except with the consent of the client. This rule shall not be construed to:
 1. Relieve certified public accountants, public accountants, or firms of their obligation under R4-1-455.01(B) and (C);
 2. Affect in any way their compliance with a validly issued subpoena or summons enforceable by order of a court;
 3. Prohibit review of certified public accountants', public accountants', or firms' professional practices as a part of any peer or quality review pursuant to Board decision or authority; or
 4. Preclude certified public accountants, public accountants, or firms from responding to any inquiry made by the Board under state statutes.
- B. Records disposition responsibility: Certified public accountants, public accountants, or firms shall furnish to their client, or former client, upon request, within a reasonable time after original issuance:
 1. A copy of any tax returns prepared for the client.
 2. A copy of any reports, or other documents, that were previously issued to the client.
 3. Any accounting or other records belonging to the client which they or their firm may have had occasion to remove from the client's premises, or to receive for the client's account, but this shall not preclude them from making copies of the documents when they form the basis for work done by them or their firm.

Historical Note

Section R4-1-455.02 renumbered from R4-1-455(C) and amended effective April 22, 1992 (Supp. 92-2). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-455.03. Professional Conduct: Other Responsibilities and Practices

- A. Discreditable acts: Certified public accountants, public accountants, or firms shall not commit any act that reflects adversely on their fitness to engage in the practice of public accounting, including:
 1. Violation of any of the provisions of R4-1-455 through R4-1-455.04;
 2. Violation of a fiduciary duty or trust relationship with respect to any person; or
 3. Violation of any of the provisions of A.R.S. Title 32, Chapter 6, Article 3, or any rule promulgated under these statutes.
- B. Advertising practices: Certified public accountants, public accountants, or firms have violated A.R.S. § 32-741(A)(4) and engaged in dishonest or fraudulent conduct in the practice of public accounting in connection with the communication or advertising of public accounting services through any media, if those accountants willfully engage in any of the following conduct:
 1. Employ any device, scheme, or artifice to defraud;

2. Make any untrue statement of material fact or fail to state any material fact necessary to make the statements made not misleading;
 3. Engage in any advertising which would operate as a fraud or deceit;
 4. Violate A.R.S. § 44-1522 and a court finds the violation willful;
 5. Engage in fraudulent or misleading practices in the advertising of public accounting services which leads to a conviction pursuant to A.R.S. § 44-1481; or
 6. Engage in fraudulent practices in the advertising of public accounting services which leads to a conviction for a violation of any other state or federal law.
- C. Solicitation practices:** Certified public accountants, public accountants, or firms have violated A.R.S. § 32-741(A)(4) and engaged in dishonest or fraudulent conduct in the practice of public accounting, in connection with the direct or indirect personal solicitation of public accounting services, if those accountants willfully engage in any of the following conduct:
1. Violate any of the provisions of R4-1-455.03(B); or
 2. Engage in direct or indirect personal solicitation through the use of coercion, duress, undue influence, compulsion, or intimidation practices.
- D. Form of practice and name**
1. Certified public accountants or public accountants may practice public accounting, whether as owners or employees, only in a firm as defined in A.R.S. § 32-701.01(6).
 2. A certified public accountant or public accountant shall not use a professional or firm name or designation that is misleading about the legal form of the firm, or about the persons who are partners, officers, members, managers, or shareholders of the firm, or about any other matter. A firm name or designation shall not include words such as "& Company," "& Associates," or "& Consultants" unless the terms refer to additional full-time CPAs that are not otherwise mentioned in the firm name.
- E. Acting through others:** Certified public accountants or public accountants shall not knowingly permit others to carry out on their behalf, either with or without compensation, acts which, if carried out by the certified public accountants or public accountants, would place them in violation of any of the provisions of R4-1-455 through R4-1-455.04.
- F. Communications:** When requested, certified public accountants or public accountants shall respond to communications from the Board within 30 days of the mailing of such communications by registered or certified mail.

Historical Note

Section R4-1-455.03 renumbered from R4-1-455(D) and amended effective April 22, 1992 (Supp. 92-2). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-455.04. Professional Conduct: Interpretations

Interpretations of the Code of Professional Conduct adopted by the American Institute of Certified Public Accountants shall be persuasive but not conclusive in the Board's interpretations of R4-1-455 through R4-1-455.03.

Historical Note

Section R4-1-455.04 renumbered from R4-1-455(E) and amended effective April 22, 1992 (Supp. 92-2). Section number corrected (Supp. 97-3). Amended effective November 20, 1998 (Supp. 98-4).

R4-1-456. Reporting Practice Suspensions and Violations

- A.** All registrants, individuals and firms shall report to the Board:
1. Any suspension or revocation of the right to practice accounting before the federal Securities and Exchange Commission, the Internal Revenue Service, or any other state or federal agency.
 2. Any final judgment in a civil action or administrative proceeding where the court or public agency makes findings of violations, by the registrant, of any fraud provisions of the laws of this state or of federal securities laws.
 3. Any final judgment in a civil action where the court makes findings of accounting violations, dishonesty, fraud, misrepresentation or breach of fiduciary duty by the registrant.
 4. Any final judgment in a civil action involving negligence in the practice of public accounting by the registrant.
 5. All convictions of the registrant of any felony, or any crime involving accounting or tax violations, dishonesty, fraud, misrepresentation, embezzlement, theft, forgery, perjury or breach of fiduciary duty.
- B.** The report required under this rule must be in the form of a written letter and received by the Board within 30 days of the entry of any judgment or suspension or revocation of the registrant's right to practice before any agency. Such letter shall contain a description of the registrant's activities which resulted in a suspension or revocation, final judgment or conviction; the name of the state or federal agency which has restricted the registrant's right to practice; the effective date and length of any practice restriction; the case file number of any court action, civil or criminal; and the name and location of the court rendering a final judgment or conviction; and the entry date of any final judgment or conviction.

Historical Note

Adopted effective November 5, 1980 (Supp. 80-6). Former Section R4-1-57 renumbered as Section R4-1-456 without change effective July 1, 1983 (Supp. 83-4). Amended effective February 23, 1993 (Supp. 93-1).

Appendix A. Repealed

Historical Note

Adopted effective February 22, 1978 (Supp. 78-1). Amended effective December 19, 1979 (Supp. 79-6). Editorial correction, Footnote**, Rules reference corrected (Supp. 83-4). Repealed effective May 31, 1991 (Supp. 91-2).

Appendix B. Repealed

Historical Note

Adopted effective February 22, 1978 (Supp. 78-1). Repealed effective April 22, 1992 (Supp. 92-2).